

Women and resolutions for better tax planning



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« GUEST COLUMN

"A woman's best protection is a little money of her own" ~ Clare Booth Luce

A statement this simple can be nothing but true. However, we underestimate the power of personal finance supported by good planning. Remember, a penny saved is a penny earned. To start with, we need to stop buying things we don't need (especially to impress people we may not even like!). Secondly and most importantly, we need to manage our money well in terms of tax planning and investments.

We have a very small percentage of salaried women in India. Most

Income Tax Act (Section 80D) allows a tax deduction of up to INR 25,000 per year for paying health insurance premium with an additional deduction of INR 5000 for policies purchased by or for senior citizens.

Save and Protect:

There are many instruments that allow for tax savings under Section 80 C of the Income Tax Act. Some key instruments include Life Insurance policies such as guaranteed endowment plans to unit linked plans. These are good avenues for long term goals. If you are a financially savvy investor, you can consider Equity Linked Saving Schemes as a tax free investment avenue for mid - long term goals.

Plan your Golden Years:

As Tennessee Williams wisely quoted, "You can be young without money, but you cannot be old without it". There is no better time than the present to gift yourself a future. Public Provident Fund (PPF), Guaranteed Retirement Plans by Insurance Companies and NPS are a few very good tax saving and investment options that help save



women in urban areas do a brilliant job of self-employment ranging from tutoring, handicraft, small trade etc to name a few. In rural areas, we actually are a step ahead with a large percentage of women involved in agriculture and related activities to earn a living. While women do contribute financially, many either stay away from formal financial institutions like banks or they simply do not engage in efficient planning in terms of taxes and investments.

With the government taking extreme measures to encourage money flowing into the banking system, more women will need to start taking full accountability of their money earned and saved. To start with, let us talk about some easy avenues available for prudent tax savings and investments:

Health is Wealth... Literally:

Women can now protect their loved ones from financial stress arising out of medical emergencies by buying a health insurance coverage for the whole family. The

for retirement in the absence of a robust social security system. NPS has an additional tax saving allowance of INR 50,000 under Section 80CCD of Income Tax Act. You can simply choose your instruments based on your risk appetite or invest proportionately across.

Build a foundation :

There are many incentives that are available around niche instruments that may be applicable to a select audience:

- Exemptions on both Principal and Interest on Home Loans
- Exemption on Interest of Education Loan (even those taken for your children!)
- Invest for your girl child under Sukanya Samridhi Yojna where both, interest and maturity amount are tax free!

These are some ideas and instruments that can help you kick start your journey of financial prudence and wealth creation. Ideally, speak to a financial planner to suggest instruments that meet your goal of tax savings.